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FM AMCONSUL LAGOS
TO RUEHC/SECSTATE WASHDC PRIORITY 9954
INFO RUEHZK/ECOWAS COLLECTIVE
RUEHHH/OPEC COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 9659
RUFOADA/JAC MOLESWORTH AFB UK
RUEKJCS/SECDEF WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
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C O N F I D E N T I A L LAGOS 000219

SIPDIS

DOE FOR GPERSOON, CHAYLOCK

E.O. 12958: DECL: 06/23/2018

TAGS: EPET ENRG PGOV NI

SUBJECT: NIGERIA: ATTACK, LABOR UNREST DISRUPT CHEVRON PRODUCTION

Classified By: Acting Consul General Helen C Hudson for reasons 1.4 (B) and (D)

¶1. (C) Summary: An attack on a Chevron Nigerian Limited pipeline in Delta State has forced the company to shut-in production of 120,000 barrels of oil per day. The company does not know who was responsible for the attack nor does it have an estimated date for repair. Chevron's Managing Director has left the country during the time of an ongoing labor dispute and his return date is unknown. Recent attacks on Shell and Chevron facilities have reduced Nigerian oil output by 320,000 barrels per day, offsetting the 200,000 barrel per day production increase promised by Saudi Arabia. Government sources estimate that the country is losing approximately USD 84 million per day in revenue. Further labor trouble could imperil all of Chevron's output and send Nigeria's overall production to its lowest level in years.
End Summary.

¶2. (C) Femi Odumabo, the government relations manager for Chevron confirmed press reports that the company has shut-in daily production of 120,000 barrels of oil from its Escravos area swamp fields in Delta State. According to Odumabo, unknown assailants blew up a large pipeline leading from the swamp fields to the Escravos export terminal. Near-offshore oilfields in the Escravos area continue to produce oil. He could not give an estimated repair date and he said Chevron is still trying to determine who was behind the attack.

¶3. (C) Odumabo also reported that union unrest is growing. Members of Chevron's two labor unions blocked access to Chevron facilities during the morning of June 23-24. In addition to demands for a wage increase, the unions are seeking the removal of Amcit Managing Director Fred Nelson. Nelson left Nigeria at the start of the union talks earlier this month and has not returned. Odumabo could not say when or if Nelson would resume his post. The unions have threatened to shut-in all of Chevron's 335,000 barrel per day production and stop work on Chevron's new Agbami off-shore facility. A contact with an oilfield service company reports that the unions have blocked the Escravos runway, preventing workers from rotating into and out of the job site.

¶4. (C) Comment: Because of its much touted community relations efforts, Chevron had been, or had thought itself to be, relatively immune from attacks in the Western Niger Delta. With this attack and the attack on Shell's Bonga offshore facility, Nigeria has lost 320,000 barrels per day

of production in less than a week; far more than the 200,000 barrel production increase announced by Saudi Arabia. Although Nigeria does not release daily production figures, Nigeria's oil output has likely fallen to around 1.5 million barrels per day. If these facilities remain off-line for a lengthy period of time or the unions force Chevron to shut-in the rest of its operations, Nigeria will experience one of its lowest monthly production levels in two decades. End Comment.

HUDSON